THE MANITOBA SECURITIES COMMISSION

2002 Annual Report

103-00482/

MISSION

The mission of The Manitoba Securities Commission is to protect and promote the public interest by facilitating dynamic and competitive capital and real estate markets that contribute to the economic development of Manitoba while fostering public confidence in those markets.

MANDATE

The mandate of the Commission is to act in the public interest to protect Manitoba investors and to facilitate the raising of capital while maintaining fairness and integrity in the securities marketplace. Similarly, its real estate industry mandate is to regulate brokers, salespeople and mortgage dealers to ensure adequate standards are maintained for the protection of the public.

The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Third Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2002.

Respectfully submitted,

Honourable Scott Smith,
Minister of Consumer & Corporate Affairs

THE MANITOBA
SECURITIES
COMMISSION

Honourable Scott Smith
Minister of Consumer and Corporate Affairs
Room 314 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Minister:

I have the honour to submit for your consideration the Third Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2002.

Respectfully submitted,

Donald G. Murray
Chair, The Manitoba Securities Commission

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REPORT FROM THE CHAIR

It is often said that change is the only constant. This is certainly true when it comes to capital markets. Global forces, new products and processes and ever improving technology makes it necessary for market participants and regulators alike to be both willing and able to move with the times. Regulation can't just set the rules, it must recognize and adapt to market realities.

National Initiatives

Much of the systemic change right now is occurring on a national basis. Canada is a small player in the world's capital markets. While in keeping with our constitutional framework securities are regulated on a provincial basis, it is vital that the regulators not let differences in rules or interpretation inadvertently erect barriers to accessing Canadian markets. Provincial and territorial securities commissions must work together to develop harmonized rules and foster a sense of certainty for those issuers and registrants who choose to operate in multiple Canadian jurisdictions.

For the last number of years, the Canadian Securities Administrators (CSA), of which the commission is a member, have been developing and implementing the Canadian Securities Regulatory System. It is based on mutual reliance and harmonization. Securities commissions have, since 1997, been improving the Mutual Reliance Review System. More recently, regulators have been working seriously on harmonization of securities laws. During the last year, most Canadian jurisdictions amended their Securities Acts to include identical provisions governing insider reporting and takeover bids.

On a more ambitious note, the CSA has now formed a steering committee, with a mandate to develop uniform securities laws and a common set of rules. This project is to be completed by the end of 2003, for consideration for implementation by provincial and territorial governments. Work at the steering committee during the fiscal year 2001/02 progressed well and targets were met.

The CSA has developed a system of mutual reliance. It will continue to be refined and improved. Canada already has an electronic system (SEDAR) for filing prospectuses on a national basis. Within 18 months it is anticipated that electronic registration (NRD) and insider reporting

(SEDI) will be operating on a national basis. Shortly after that, uniform securities legislation will be available for consideration, which, if implemented, will provide the final piece of the puzzle. At that time Canada will have a system that, while allowing for independent action on local issues, will provide the framework for seamless securities regulation on a national basis.

On-going Programs

Locally, the Commission's ongoing programs were maintained and expanded and new ones were initiated. The revolving compliance audits of mutual fund dealers continued and the program was expanded to include portfolio managers, both locally and as part of a national compliance review initiative.

The Commission's education/information programs have continued to expand. Joint events with industry were a success, both within and outside of Winnipeg, while new education materials and presentations were developed for the public. The Commission also retained the services of a research company to obtain a public survey that has provided us with essential topical and demographic information for new educational initiatives.

Legislative Developments

In fiscal year 2001/02 the Commission developed new legislation that was enacted. A major review of The Securities Act was completed, that updated and harmonized many provisions of the legislation and provided the Commission with valuable new enforcement powers.

During the same period, the Commission worked with The Winnipeg Commodity Exchange to develop amendments to The Winnipeg Commodity Exchange Act, that allowed the Exchange to reorganize its operations and become a for-profit corporation. This realignment was considered necessary by the Exchange to properly position itself for the future.

Real Estate

The real estate division performs a similar role to the securities division in the regulation of the real estate industry, performing the functions of registration, compliance review, investigation and enforcement and policy development. The Registrar and his staff also continue to partner with the industry in the development of industry association rules, policies, educational courses and new initiatives.

Real estate division staff co-operated with the Manitoba Real Estate Association in the development of the Mandatory Continuing Education program for industry practitioners that was introduced in April, 2001.

The program, intended to assist industry practitioners in maintaining and improving their skills and knowledge, has been an unqualified success. The registrar and his staff maintain close connections to and enjoy a positive relationship with the industry.

Sustainable Development

The Sustainable Development Act was enacted for the purpose of promoting and implementing sustainable development in the provincial public sector, private industry and society in general. Principles and guidelines have been developed to assist departments and agencies in instituting objectives, integrating them into operations and reporting on their development. The Commission remains committed to sustainable development.

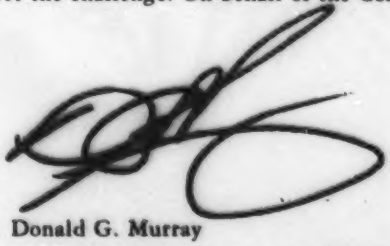
Operating in an office environment, the Commission procures a variety of recycled items including paper products and various other office materials. The Commission will set goals and objectives towards sustainable development procurement and financial management. Through training and education, the Commission intends to continue to develop a sustainable development process that is continuous and balanced.

Acknowledgements

It is absolutely necessary to recognize the invaluable contributions to the Commission's work made by the members of the three advisory groups (noted on pages 12 and 13) who volunteer their time to both divisions of the operation. Simply put, the Commission could not fully perform its work without their input and advice.

The Commission membership remained stable in fiscal year 2001/02. Once again, sincere thanks are due to the six part-time members who conduct the regular and special meetings and hearings of the Commission. Their sound judgment and knowledge of the regulated industries allows the Commission to fulfill its mandate.

Finally, but most importantly, it is essential to recognize the efforts of Commission staff. Nothing stays the same for long in this business. Staff are constantly reacting to changes thrust upon us, as well as adapting to planned organizational and systemic changes, and all the while contending with increased volumes of our ongoing work. Our staff has been challenged to do more without increasing resources and they continue to meet the challenge. On behalf of the Commission, thank you.



Donald G. Murray
Chair, The Manitoba Securities Commission

COMMISSION OVERVIEW

The Manitoba Securities Commission ("the Commission") is responsible for administering and enforcing The Securities Act, The Commodity Futures Act, The Real Estate Brokers Act and The Mortgage Dealers Act. The Commission was structured in its present form in 1968. The Commission became a Special Operating Agency on April 1, 1999.

A reference to "the Commission" can mean either of two distinct yet connected bodies. These are:

1. The administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and

2. The policy making group made up of a maximum of seven order-in-council appointees who meet regularly (the "Commission members")

Administrative Arm

The administrative arm of the Commission is comprised of two operating divisions, the securities division and the real estate division consisting of 34 full-time staff.

Securities Division

The securities division is organized into the following six operational sections:

Investigations

There are four staff in this section being three investigators and one administrative support position. The investigation section receives inquiries and complaints, conducts investigations and assists legal staff in the preparation of matters for hearings. The members of the investigation section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Legal

The legal section is comprised of three lawyers and two administrative support staff. The legal section provides legal advice to the Commission members and all other functional sections of the Commission, takes part in policy development and the creation of educational materials, presents applications to Commission meetings and prepares and argues enforcement cases at Commission hearings and in court. The members of the legal section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Registrations

The registration section is made up of four staff members being the Registration Officer and three full-time registration clerks. During fiscal year 2001/02 there were also two additional term positions attached to the section assisting in the necessary preparatory work for adapting the Commission's registration system to the National Registration Database (NRD). This section is responsible for the registration of firms and individuals operating in the investment markets in Manitoba. The members of the registration section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Corporate Finance and Continuous Disclosure

There are five staff members in this section being senior analyst, analyst, administrative assistant, corporate finance clerk and continuous disclosure clerk. The analysts are professional accountants. This section reviews offering documents and applications as well as required continuous corporate disclosure and takes part in policy development and presentations to the Commission meetings. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer, who is also a professional accountant.

Finance and Administration

There are three staff members assigned to this section being the Controller (a professional accountant), an accounting clerk and a receptionist. A fourth position assigned was vacant during 2001/02. This section, in consultation with management, prepares the Commission's budgets and financial reports and develops and implements office and personnel policies. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer.

Education/Information Co-ordinator

The Education/Information Co-ordinator is the sole staff member assigned to this section. This individual, who has a degree in education, is responsible for the development and implementation of educational programs for the general public and industry. The Education/Information Co-ordinator reports to the Chair.

There are two additional staff positions attached to the securities division being the Assistant to the Chair and the Compliance Officer. The Compliance Officer is an auditor who is responsible for conducting compliance audits of the industry and also assists in the investigation function of the Commission. This staff member reports to both Directors in the course of his employment.

Real Estate Division

The real estate division is made up of the Registrar, Deputy Registrar, Auditor/Investigator and three administrative support positions. The real estate division is responsible for the administration of The Real Estate Brokers Act and The Mortgage Dealers Act and, in general, the regulation of the real estate industry in the Province of Manitoba. Employees in this section report to the Registrar.

Management

Both Directors of the securities division and the Registrar of real estate report directly to the Chair, who is the Chief Executive Officer of the Commission. This group comprises the executive management team. In addition there is an extended management committee which has membership from all operational areas.

COMMISSION MEMBERS

In addition to the Chair there are six part-time Commission members. The Commission meets regularly (usually weekly) to deal with policy and regulatory formulation, applications seeking exemptions from the requirements of regulation, and to consider whether it is in the public interest to grant various types of orders authorized by legislation. Commission members also perform a quasi-judicial function by sitting as adjudicators in Commission hearings. The Chair presides at meetings of the Commission.

The Chair of the Commission reports to the legislature through the office of the Minister of Consumer and Corporate Affairs.

DURING 2001/02 THE COMMISSION MEMBERS WERE AS FOLLOWS:

Donald G. Murray (Chair) - Appointed to the Commission in 1993, Mr. Murray spent 20 years in the private practice of law. In 1994, he was appointed Vice Chairman and became Chairman in 1997. As Chair and CEO, Mr. Murray represents the Commission on national and international securities organizations.

Elmer O. E. Bergman - Appointed to the Commission in 1990, Mr. Bergman has a Bachelor of Commerce and Chartered Accountant designation. He retired from KPMG as a partner of the firm. Prior to KPMG, Mr. Bergman was the office-managing partner in Winnipeg with Thorne Ernst & Whinney. Mr. Bergman was active in the securities area and also acted as an advisor for utility rate-making for the Public Utilities Board.

W. John A. Bulman C.M. - Appointed to the Commission in 1994, Mr. Bulman spent most of his business career in the printing industry. He is an active community leader especially with health and education groups. He has been Chancellor Emeritus of the University of Winnipeg and a council member of the Royal College of Physicians and Surgeons. Mr. Bulman was appointed to the Order of Canada in 1999.

Melvin S. Fages - Appointed to the Commission in 1997, upon retiring from Deloitte & Touche, Chartered Accountants. Mr. Fages received his F.C.A. designation in 1997. Currently, he is the Vice-President of the Long Term Care Association of Manitoba and Board Member of the Jewish Foundation of Manitoba.

Ken S. Kristjanson -	Appointed to the Commission in March 1999, Mr. Kristjanson has 40 years experience in the financial services industry, the last 30 years being spent as a full-service broker. He retired from Richardson Greenshields where he held the position of Vice-President. He is Vice-Chairman of the Canada-Iceland Foundation.
Lynne M. McCarthy -	Appointed to the Commission in 1994, Ms. McCarthy has a Master of Business Administration degree from the University of Western Ontario and the Chartered Financial Analyst designation. Ms. McCarthy has had 20 years of experience in institutional investing.
Robert G. McEwen -	Appointed to the Commission in 1992, Mr. McEwen is a retired chartered accountant and was a Deputy Director of the Commission.

ADVISORY GROUPS

Securities Advisory Committee

The Committee was established by the Chair of the Commission to meet when required to provide advice on regulatory matters. The Committee has provided advice on new policy initiatives developed by the Commission. The Committee has also been called upon to advise on changes within the industry and how the Commission can best deal with those changes.

Dave Cheop,	Investors Group Inc.
Ken Cooper,	formerly Winnipeg Stock Exchange
Linda Vincent,	Winnipeg Commodity Exchange
Ed Griffiths,	Scotia MacLeod Inc./ Investment Dealers Association
Mike Guttormson,	Aikins, MacAulay & Thorvaldson
Bruce Jack,	Deloitte & Touche
Tom Kormylo,	Pitblado Buchwald Asper
Tony Catanese,	PricewaterhouseCoopers
Greg Bieber,	Bieber Securities Inc./ Investment Dealers Association
Ron Coke,	Taylor McCaffrey
Patrick Cooney,	Jory Capital Inc.
Tom Rice,	Rice Financial Group Inc.(Alternate)
Bruce Thompson,	Thompson Dorfman Sweatman(Alternate)

Real Estate Advisory Council

The Real Estate Advisory Council is a non-statutory advisory body established by the Commission and The Manitoba Real Estate Association. The Mandate of the Council is to advise and make recommendations to the Commission and MREA on real estate issues; to review mutually beneficial ideas, policies or legislative reform; and give early warning or advance notice to the Commission of trends or developments arising in the real estate industry.

Brian Collie,	Executive Director, The Manitoba Real Estate Association
Guy Hobman,	Broker, Representing The Manitoba Home Builders' Association
Brad Munn,	Salesperson, Royal LePage Martin Liberty Realty Ltd.
Jim Storsley,	Registrar, The Manitoba Securities Commission
Claude Davis,	Broker, Royal LePage Dynamic Real Estate
Cliff King,	Broker, Century 21 Bachman & Associates
Roy Fondse,	Salesperson, Re/Max Real Estate Inc.
Robert Schaer,	Broker, Representing the Professional Property Managers' Association
Robert L. Tyler,	Solicitor, Representing The Manitoba Bar Association
Brad Walker,	Chair, Broker, Gill & Schmall Agencies, Neepawa

Real Estate Advisory Committee

The Real Estate Advisory Committee was established by the Real Estate Advisory Committee Regulation (Manitoba Regulation 593/88) under The Real Estate Brokers Act.

The Committee reviews and recommends projects to the Commission for funding from the interest which the Commission receives from real estate brokers' trust accounts.

W.G. Burns,	Chairman, Broker, Royal LePage Real Estate Services
John Froese,	Broker, HomeLife /Properties Inc.
Florence M. Zawadsky,	Broker, Martin Liberty Realty, Brandon
Ute Vann,	Salesperson, Royal LePage Reliance Real Estate
Robert B. Giesbrecht,	Solicitor, public representative

SECURITIES

OVERVIEW

The operational sections of the Commission work in seven functional areas. They are:

1. Registration;
2. Corporate Finance and Continuous Disclosure;
3. Private Placement and Exempt Offerings;
4. Exemption Orders;
5. Legislation and Policy Development;
6. Investigation and Enforcement;
7. Education and Information.

Each functional area carries unique duties and responsibilities the performance of which requires a high degree of co-operation and co-ordination among the operational sections.

REGISTRATION

The Registration Section reviews and determines whether it is in the public interest to register a person or company to trade or advise in securities or commodity exchange contracts. Applicants for registration must meet educational requirements, individuals must be supervised and companies must meet capital requirements.

COMPLIANCE EXAMINATION

The Registration section also performs an ongoing compliance function to ensure that the continued registration of persons and companies is in the public interest. The Commission monitors the conduct and solvency of registrants to insure compliance with legislation, rules and policies. This is done through the review of financial reports submitted by registrants and by performing compliance examinations of registrants. The focus of these examinations is on Manitoba-based mutual fund dealers and investment counsel and portfolio managers. During the fiscal period, ten examinations of mutual fund dealers and three examinations of investment counsel and portfolio managers were performed.

CONTINUED HIGH LEVELS

New and renewed registrations, together with registration changes from mergers and acquisitions, have resulted in continued significant activity. During the period there were 7,477 registrations issued under The Securities Act.

In order to handle the numbers of registrations more effectively, the Commission adopted, in December, 2001, the Expedited Renewal Process. This allows for registration renewals where there were no changes, as opposed to completion and review of registration forms. This has been well received by the industry and allows for increased efficiency within the registration section.

Mutual Fund Dealers Association

The Mutual Fund Dealers Association (MFDA) has commenced operations and accept membership applications. The services of the MFDA are expected to provide a benefit to Manitoba investors. During this fiscal year the Commission published a requirement for all registered mutual fund dealers to join the new association.

National Registration Database

The CSA is taking steps to simplify the registration process by developing the National Registration Database (NRD). NRD will contain information on registrants across Canada and will also permit an application for registration to be made to all or multiple jurisdictions by way of a single electronic application. The Commission is participating in development of NRD and anticipates it will be operating in the spring of 2003.

Pending the implementation of NRD the Commission has commenced a review of the operations of the registration section including workflow and systems.

Registrations under The Commodity Futures Act

The first full year of registrations under The Commodity Futures Act was 2000/01. The Commission registers all dealers, advisors and sales-people who trade on exchanges in commodity futures contracts and options in Manitoba. During 2001/02 registrations in all categories increased from 178 to 194.

CORPORATE FINANCE AND CONTINUOUS DISCLOSURE

Commission staff review prospectus filings and certain other offering documents to ensure that they contain full, true and plain disclosure of all material facts that are necessary to make an informed investment decision. Public companies are also required to file documents such as financial statements, insider reports, reports of material changes, proxy materials and annual information forms with the Commission.

The Commission monitors these filings as well as other offering and reporting documents required to be filed by legislation or regulation. Filing activity remains at a high level.

Continuous Disclosure Review Program

Matters of a national scope continued to be an emphasis at the Commission. In addition to the continued fine tuning of the Mutual Reliance Review System for Prospectus and Annual Information Forms, the Commission is participating in the development of a national program to review continuous disclosure material filed by public companies. Continuous disclosure is expected to provide better and more timely information to investors and regulators. This new focus on continuous disclosure reflects the fact that over 90% of all trades take place in the secondary market.

SEDAR

The System for Electronic Document Analysis and Retrieval (SEDAR) has been used since January 1, 1997 to electronically file securities-related information with the Commission and other CSA jurisdictions. SEDAR allows documents to be filed with all regulators simultaneously and provides for secure electronic communication between filers and regulators. With the web site www.SEDAR.com, information is available to anyone with internet access.

SEDAR Release 7 (SEDAR R7) was successfully introduced in September, 2001. SEDAR R7 implemented changes to accommodate the replacement of former national policy statements. Changes, such as deleted filing types, filing subtypes, and document types, can only be deleted in a release upgrade. Other changes were to accommodate the merger of the Alberta and Vancouver stock exchanges into the Canadian Venture Exchange Inc. and the introduction of the new Capital Pool Company Program.

FILINGS PROCESSED

	Prospectus**	Prospectus Amendments	Annual InformationForms	Rights Offerings	Take-Over Bid Circulars
1999/2000	771	138	509	21	110
2000/2001	668	207	591	18	114
2001/2002	710	179	480	19	71

** - Prospectus documents filed –
(A single prospectus filing may contain multiple issues (i.e.: a single mutual fund prospectus could contain as many as 100 funds).

PRIVATE PLACEMENT & EXEMPT OFFERINGS

The Commission recognizes the benefit to the Manitoba economy and the public in providing an environment that encourages the development of business and the need of those businesses to raise capital. Where the size of the business or the amount of capital to be raised does not warrant the use of a prospectus, securities regulation provides ways to assist businesses and make new offerings of securities available to Manitobans.

The Act, regulations and rules provide exemptions from the requirement to use a prospectus and the requirement to trade in securities through someone registered under The Securities Act. They are based on the nature of the security sold, the dollar amount of the purchase, as well as the knowledge of the purchaser. Limited offering exemptions are based on an offering of securities being made to a limited, identifiable group of purchasers, and are used by new businesses that need capital to establish operations. Purchasers of securities in limited offering exemptions either have knowledge of the business they are investing in or are required to seek independent advice with respect to the investment prior to purchase.

During 2001/02 the Commission entered into discussions with staff of the British Columbia Securities Commission and the Alberta Securities Commission concerning new rules for exempt offerings being developed in those jurisdictions. The Commission believes that these new rules can be adapted for the Manitoba market, with a view to implementation during 2002/03.

EXEMPTIONS AND ORDERS

Exemption Applications

Applications are made to the Commission for exemptions from regulatory requirements in situations where the granting of an order is not contrary to the public interest. The Commission deals with national applications and local applications.

National and Regional Applications

The Commission processes national and regional applications through the Mutual Reliance Review Systems for Exemptive Relief Applications, which allows for an application to be processed in several or all Canadian jurisdictions with a single decision document. The efficiency of the system benefits both issuers and the investing public and results in a wider range of product being offered in Manitoba.

Manitoba Applications

Applications for exemptions from regulatory requirements by Manitoba companies and issuers include exemptions from requirements when Manitoba legislation differs from one or more of the other Canadian jurisdictions, as well as applications required to facilitate capital raising projects within the province.

The Commission continues to be supportive of local community based projects requiring capital raising. While the Commission does not create business plans or proposals for local projects, staff works with applicants to satisfy themselves that each group has the tools required to raise capital in a manner that does not compromise the investor protection objectives of securities regulation.

During the past year the Commission has granted orders for both rural and urban based developments including projects for construction of commercial ventures such as hotels and the creation of a business development fund.

Activity in the number of applications seeking exemptions from securities laws remains high.

The total number of orders issued under The Securities Act for fiscal 2001/02 are as follows:

ORDERS ISSUED	2001/2002	2000/2001	1999/2000
Exemption Orders	274	356	267
Take-Over Bid Orders	36	114	181
Inside Reporting Orders	20	40	37
Financial Reporting Orders	48	35	48
Cease Trade Orders*	124	64	29
Miscellaneous Orders	39	11	30

(* Cease Trade Orders include both permanent and temporary orders.)

LEGISLATION AND POLICY DEVELOPMENT

The development of the regulatory system is an ongoing process. Changes in products, market participants and technology have created a need to review existing regulations to determine when and if changes or new regulatory requirements are needed. It is important to ensure that any new or revised requirements do not inadvertently create barriers to market activity in Manitoba by imposing requirements that are unnecessarily inconsistent with other jurisdictions or the needs of Manitobans.

LEGISLATION

During the past year the Commission developed two pieces of legislation which were subsequently enacted. A major review of The Securities Act was completed, which modernized language and processes, allowed the Commission to impose administrative penalties and harmonized several

areas including insider reporting and takeover bids, with the rest of Canada. In addition an amendment to The Winnipeg Commodity Exchange Act was passed which allowed The Winnipeg Commodity Exchange to alter its structure to a for profit corporation. The Exchange saw this legislation as a necessary step to ensure its long-term viability.

In addition, the Commission developed a proposal for Securities Act amendments for subsequent consideration in the spring session for 2002. These amendments, if enacted, will give the Commission authority to make orders of compensation to aggrieved investors at Commission hearings. The Commission believes that this authority would provide it with a powerful tool for investor protection.

On a national scope, the Commission is represented on the CSA Steering Committee for development of uniform securities legislation. Which is to be completed by the end of 2003.

POLICY

On a local basis, the Commission continues to strive for policy development to benefit investors and maintain fairness in the marketplace. As an example, resulting from ongoing industry complaints concerning fairness in disclosure, the Commission consulted with the labour sponsored investment funds situated in Manitoba and developed a policy to govern the use of their performance data in advertisements. On a national basis, the Commission continues to work with other CSA jurisdictions on the implementation of a new governance regime for mutual funds and continuous and integrated disclosure for public companies.

National policy developments take place through CSA staff committees. The Commission was represented in 2001/02 on the following CSA Committees:

Capital Markets
Enforcement
Executive Directors
Internet
Investor Education
Financial Planning
Mutual Funds
SEDAR Working Group
Take-over bids
MRRS Applications
Continuous Disclosure Review
MRRS for Prospectus Filings
Integrated Disclosure System
MFDA Recognition Committee
Exchange Restructuring
Legislative Coordination Committee
National Registration Database
Long Form Prospectus Committee

RULES

The Commission has the legislative authority to enact rules that have the same force and effect as regulations under the legislation. In fiscal year 2001/02, as in prior years, the bulk of the rules enacted by the Commission were national instruments representing rules implimented on a Canada-wide basis. The Commission enacted 19 rules during the period.

Legislative and policy matters and rules that were published for comment or adopted by the Commission during the past year are posted on the Commission's web site.

INVESTIGATION AND ENFORCEMENT

Staff of the Commission investigate complaints and inquiries from the public. A complaint may relate to the conduct of a person or company registered to trade in securities or may relate to trading activities of people not registered to trade securities in Manitoba. Complaints may also involve securities products that may or may not have been approved for trading in Manitoba.

As with any investigative agency, Commission staff must review all complaints received both on the basis of potential harm to the markets generally, and on the basis there may have been harm caused to an individual member of the public.

Many complaints can be resolved informally. Where a complaint is isolated in nature or relates to a service issue Commission staff will in many cases facilitate resolution of the complaint by speaking with both the securities firm and the client. In some cases, matters that relate to the conduct of a registrant are referred to a self-regulatory organization such as the Investment Dealers Association of Canada for investigation and resolution.

During the fiscal year 2001/02 general enquiries and complaints to the Commission continued to rise. Of significance is a marked increase in the number of complaints received relating to fraudulent schemes such as prime bank instruments. This is a time-tested scam that, together with other types of illegal activity, such as affinity frauds, is a subject of increasing numbers of complaints and Investor Alerts. These fraudulent schemes have become a focal point in the Commission's public education initiative.

The 2001/02 fiscal year is the first year the Commission has had the authority to assess administrative penalties. During the period the Commission ordered to be paid approximately $170,000 in penalties and settlements. This sum included the largest settlement in Commission history, arising out of inadequate supervision of investment advisors by a full service brokerage firm in the sum of $100,000. The Commission believes the authority to assess administrative penalties is an effective tool for investor protection.

The Hearing Process

Investigation orders are issued by a panel of the Commission. Once an investigation is commenced Commission staff gather evidence through witness interviews and through the obtaining of documents. In situations where this evidence cannot be gathered voluntarily, the Commission can issue an order to compel the production of evidence during an investigation.

After a complaint has been investigated a determination is made whether there is sufficient evidence to justify holding a hearing before the Commission or to conduct a prosecution in Court.

The Commission conducts hearings to determine whether it is in the public interest to suspend the registration of a person or company. Hearings are also held in situations where the conduct of a person or company that is not registered poses a risk to the public. In this situation an order can issue to deny the person or company the right to conduct an offering of securities without using the services of a registrant and filing a prospectus.

Staff of the Commission also act as Crown prosecutors in court for matters involving possible violations of a statute administered by the Commission. These cases are prosecuted in Provincial Court and can result in fines or imprisonment if the accused is found guilty.

Details of pending and completed Commission hearings and prosecutions are provided on the Commission's web site under the heading Investigation & Enforcement. Investor Alerts are circulated to media outlets and the public through the Province of Manitoba Information Services and are posted on the Commission's web site under the heading News Releases or Investor Alerts.

There were 19 investigation orders issued by the Commission in 2000/01 as opposed to 5 during the previous year. The increase is reflective of the number of complaints and the continued proliferation of the type of fraudulent schemes referred to above.

Investor Alert

The Commission will issue an Investor Alert in situations where it is considered necessary to warn the public about activities which are illegal or that pose a risk to the public. Depending on the urgency of the situation an Investor Alert may be issued even though there has not been sufficient time to assemble evidence required to commence a Commission hearing or court prosecution. These Alerts are issued through media outlets and posted on the Commission web site. They are issued throughout Manitoba, but in some cases have been targeted to specific areas in the Province where the improper activities are occurring.

EDUCATION AND INFORMATION

In rapidly changing financial markets, one of the key responsibilities of securities regulators is to provide educational programming to the public, industry and Commission staff. Resources have been made available to the education department to expand programming over previous years. Programs have been well attended and well received by both public and industry. The Commission believes that the best way for individuals to protect themselves is by becoming informed.

In order to address changing needs, the Commission will continue to focus its efforts on the following:

- Increasing public awareness as to the existence and function of the Commission
- Providing programming to meet the needs of the public and industry
- Increasing strategic partnerships with industry educational organizations
- Establishing ties with the media as a means of getting information to the public in a quick and unbiased manner
- Working with other provincial regulators to increase investor knowledge on a national level
- Keeping abreast of programming by working with national and international regulators

EDUCATION

CSA Investor Education Committee

The Commission's Education/Information Co-ordinator co-chaired the National Investor Education Committee of the CSA during this fiscal year. In addition to continuing educational informational projects already under way the Committee undertook certain longer term projects which will allow for a measurement of the successes achieved.

Investor Education Week 2001

On a national basis the Commission participated in numerous events including the production of an episode of a CBC television show called Street Cents on saving and investing starting at an early age. In addition the Commission participated in a nationally coordinated press release campaign and participated in a national call-in radio show called "Money Matters".

Locally the Commission organized numerous activities including a web site quiz for Manitoba high school students, two evening presentations by Commission staff and industry professionals and media interviews. In addition the Commission partnered with the local council of the Investment Dealers Association and offered a Lunch and Learn session for the general public which was well attended. Finally the Commission sponsored, with the Institute of Canadian Bankers, an industry breakfast which featured a keynote speaker and was attended by 125 members of the industry.

INFORMATION

Market Analysis

In 2000/01 the Commission hired an outside consultant to conduct a market analysis. The consultant polled 600 Manitobans and asked questions that pertained to saving and investing concepts. The research was conducted to determine investor awareness of the Commission, knowledge of investment related issues and to assess the best way to deliver educational programs to Manitoba investors. The results are being used to determine program direction for the Commission in subsequent years.

Web Site www.msc.gov.mb.ca

The web site continues to be developed and is being used by the public and industry on an increased basis. First opened in April of 1999 the web site has gone from 10,000 hits a month to over 49,000 hits in the month of March, 2002. The Commission has also created web site links to government and industry web sites with information of benefit to investors.

COMMUNICATION

Trade Shows

The Commission participated in several public oriented trade shows during 2000/01 including Age and Opportunity, Northern Association of Community Councils, the Rural Forum, Smart Money Fair and Vision Quest. In addition the Commission participated in the Invest Manitoba industry trade show.

Industry Presentations

The Commission continued to deliver the audit and hearing process presentations as requested by the industry. In the last year the Commission held its first ever Dialogue with The Manitoba Securities Commission in the City of Brandon. This took place in December, 2001 and was a full day session covering numerous topics in both the areas of securities and real estate. The session in both areas was well attended. In addition, the Commission offered two educational sessions to members of the industry on the operation of the National Registration Database and the System for Electronic Disclosure by Insiders.

Public Information

For the second year in a row the Commission partnered with Junior Achievement to deliver the Personal Economics course at Elmwood High School. In addition Commission staff traveled to Stonewall Collegiate to speak to students on the topics of saving, investing and investment scams. The Commission also partnered with the Canadian Bankers Association "Your Money Network". The network is a web based information database that allows students to access resources on financial matters. Students can search by topic, by province or by organization.

Staff Development

As in past years individual employees were encouraged to take training courses throughout the year. On a global basis Commission staff participated in plain language training. Following the training staff have formed a committee and are taking steps to convert Commission documents to plain language format.

REAL ESTATE

OVERVIEW

The Real Estate Division administers The Real Estate Brokers Act and The Mortgage Dealers Act. The mandate of the Real Estate Division is to protect real estate consumers and mortgage investors by registering real estate brokers, mortgage dealers, and real estate and mortgage salespersons, by enforcing the statutes, maintaining and raising industry standards and investigating complaints alleging wrong-doing by registrants.

EDUCATION

The pre-licensing courses and exams for applicants are prescribed by the Commission and administered by The Manitoba Real Estate Association (MREA) under the direction of the Real Estate Division. Education standards are monitored by the Registrar who serves on the MREA's Education and Examination Review Committees.

During 2001/02 there were 352 enrolments in the pre-licensing courses.

23 examinations (17 restricted salespersons, 5 property managers and 1 private sales agent) were administered by staff in the Real Estate Division during the year.

1,700 registrants completed six hours of Mandatory Continuing Education implemented as of April 1, 2001. The MCE course for the first year was Agency Law as practiced in the industry. In 2001/02 staff of the MREA and the Real Estate Division developed MCE2 (Industry and Legal Update) for the year commencing April 1, 2002. Commission staff will assist as lecturers for MCE2.

During the year the MREA and Commission staff continued to up-grade the pre-licensing courses to comply with the National Code of Real Estate Education:

- A new property manager's course was created with input from the Professional Property Managers' Association
- An abridged broker's course was developed for applicants who are exempt from the full broker's course by virtue of having taken comparable courses in another jurisdiction or former registrants who previously took the broker's course
- The new broker's pre-licensing course is almost completed

Funding for course development is provided by the Commission from interest it receives on real estate brokers' trust accounts.

Registrations

2,195 registrations were issued for salespersons, authorized officials and real estate brokers, mortgage dealers and 22 branch offices were registered with the Commission.

Staff processed numerous registration amendments resulting from individual and corporate name and address changes and businesses re-organizing their affairs. In addition, 27 re-instatements, 7 exemptions, and 270 salespersons' transfers were processed.

Financial Filings and Compliance Audits

Commission staff review brokers' Annual Trust Account Reports and mortgage dealers' financial statements and Trust Compliance Reports filed with the Registrar and advise brokers and mortgage dealers on compliance with the trust accounting provisions of the statutes. The compliance program includes field audits, follow up visits for deficiencies disclosed in brokers' and dealers reports and providing information to professional accountants who prepare the statutory reports for brokers and dealers.

In 2001/02 staff reviewed approximately 430 reports filed by brokers and dealers and 30 final audit reports for brokers who ceased operations. The Commission suspended 4 brokers for failing to file the Annual Trust Account Report on time.

Investigation and Enforcement

The enforcement program includes:

- Investigating complaints alleging infractions of the statutes and improper conduct
- Reviewing the background of applicants and the conduct of registrants
- Investigating alleged unregistered activity

In addition to numerous verbal complaints and inquiries received on a daily basis, 89 formal written complaints were under investigation during 2001/02. The investigation of 47 of these complaints is ongoing. Of the 42 completed files:

- 22 complaints were unsubstantiated or were resolved with the assistance of Commission staff
- 12 resulted in a warning and/or a reprimand
- 1 registrant was required to pass relevant portions of the qualifying course
- 4 complaints resulted in hearings
- 3 complaints against a former broker resulted in Commission staff taking control of the broker's trust records and accounts and disbursing the balance in the account to clients

LEGISLATION AND POLICY

POLICY DEVELOPMENT

Staff in the Real Estate Division enforce the Commission's real estate registration, education and general policies and make recommendations for policy changes.

The Registrar serves on The Real Estate Advisory Council, a non-statutory body that advises and makes non-binding recommendations to the Commission and MREA on industry issues. Membership on Council was increased from 9 to 10 individuals this past year to allow representation by The Professional Property Managers' Association.

During 2001/02 the Council:

- Submitted proposed changes to the statutory form of offer to purchase to the Commission for ratification
- Consulted with The Professional Property Managers' Association, the Auctioneers' Association of Manitoba and The Manitoba Home Builders' Association on amendments to The Real Estate Brokers Act
- Established an Electronic Forms Task Force to develop business practice guidelines for practitioners conducting business by FAX and the internet
- Established a sub-committee to review licensing of new home hosts/hostesses

A joint committee of Commission and MREA staff initiated discussions on proposed amendments to the legislation governing the MREA's Real Estate Reimbursement Fund.

TRUST ACCOUNTS

Interest on Brokers' Trust Accounts

The Commission receives interest earned on real estate brokers' trust accounts not claimed by clients. The Real Estate Advisory Committee established by the Regulations under The Real Estate Brokers Act recommends real estate related projects for funding from the interest the Commission receives. Funds not designated for projects are paid to the Minister of Finance on March 31st of every year.

The results of the program for 2001/02 are:

RECEIPTS (in 000's)	
Received	$195
Paid Out:	
MREA Prelicensing Education	30
Held for approved projects	96
Minister of Finance	69
Total	$195

Unclaimed Trust Money

Section 26 of The Real Estate Brokers Act allows brokers to pay unclaimed trust money in their trust accounts to the Commission to establish a central depository for unclaimed trust money and to permit brokers to clear the funds from their trust accounts. Trust money paid to the Commission is held in trust pending receipt of a claim by the rightful claimant. On March 31st of each year the balance in the Commission's account, less a reserve for refunds, is paid to the Minister of Finance.

Results of this program for 2001/02 are:

RECEIPTS (in 000's)	
Accounted for as follows:	
Received	$ 46
Minister of Finance	46
Total	$ 46

Part IV

INFORMATION TECHNOLOGY

OVERVIEW

As at March 31, 2002, the Commission had the following internal systems in place:

Manitoba Securities Commission Information Systems (MSCIS)
Securities & Commodities Registration System (SCRS)
Real Estate information System (REIS)
System for Electronic Data Analysis and Retrieval (SEDAR)

These systems allow the Commission to record and store registrant, compliance and other pertinent information under The Securities Act, The Commodity Futures Act, The Real Estate Brokers Act, and The Mortgage Dealers Act. Continued enhancement and development of the internal systems ensure daily operations run effectively and efficiently.

The Commission also employs Microsoft Great Plains Dynamics, which is the in-house accounting package used for internal and external financial reporting.

During the year, a seven member IT Committee was formed, meeting bi-weekly to evaluate the Commission's information systems requirements.

Part V

FINANCIAL DISCUSSION

Management's Discussion and Analysis

The financial statements present the operating results of the Manitoba Securities Commission, for the year ended March 31, 2002. The following comments provide an analysis of the Commission's operations and are to be read in conjunction with the audited financial statements.

Analysis of Operating Results

Net Income

Net income for this year remained consistent with that of last year, increasing only 2.6% from $4.7 million to $4.8 million. In addition, net income also exceeded budgeted net income of $4.4 million, by 9.5% or $.4 million.

Revenue

In fiscal year 2002, revenue increased to $7.8 million from $7.6 million a year ago; an increase of 3.3% (see table below for details). With market conditions remaining fairly stable, the principle sources of revenue, filing and registration fees, still contributed to 85% of the total revenue. The principle sources of revenue are as follows:

1. Filing Fees are made up of fees for new and renewal prospectus filings, prospectus amendments, annual information forms, rights offerings, takeover bid filings and applications for exemptive relief. An increase of 9% in filing fees over the previous year, to $4.1 million, was primarily due to an increase in filing volumes.

2. Registration Fees, comprised of fees for registration of advisors, dealers, and salespersons, were $2.6 million, a decline of 3% over the previous year. Mergers were the main reason for this revenue decrease.

Revenue (000's)	2002	% of Total	2001	% of Total	2002 % Increase/ (Decrease) From 2001
Filing Fees	$ 4,084	52%	$ 3,764	50%	9%
Registration Fees	2,615	34%	2,685	36%	-3%
Annual Financial Statements	311	4%	299	4%	4%
Real Estate Fees	246	3%	260	3%	-5%
Investment Income	164	2%	167	2%	-2%
Other	405	5%	401	5%	1%

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Investment Income	164	2%	167	2%	-2%
Other	405	5%	401	5%	1%
	$ 7,825	100%	$ 7,576	100%	3%

Expenses

Total expenses for fiscal 2002 were $3.0 million, as compared to $2.9 million for fiscal 2001. Against a budget of $3.3 million, actual expenses were 10% lower than expected. The decrease from budgeted to actual was directly attributable to lower salaries and benefits expenses, a result of in-year vacancies, and a decline in contract services for the year.

At March 31, 2002, actual expenses were as follows:

Expenses (000's)	2002	% of Total	2001	% of Total	2002 % Increase/ (Decrease) From 2001
Salaries and Benefits	$ 1,927	64%	$ 1,908	66%	1%
Operating Expenses*	889	30%	794	28%	12%
Amortization	181	6%	169	6%	7%
Interest	-	0%	0	0%	0%
	$ 2,997	100%	$ 2,871	100%	4%

* - See Schedule of Operating Expenses in the Notes to the Financial Statements

Salaries and Benefits

Salaries and benefits increased by only 1% over the previous year. During the fiscal year 2002, the Commission was operating with less than a full of compliment of 34 Full-Time Equivalents (FTE's). Although a negotiated wage increase of 2.3% contributed to an increase in salaries and benefits, a large portion of the increase was offset by in-year vacancies. Hence, an increase in salaries and benefits totaled only $19,000. Notwithstanding the above the Commission's salaries and benefits were $162,000 below budget for fiscal 2002.

Operating Expenses

Operating expenses increased by 12% over the previous year. This increase is directly attributable to the Commission's participation in projects involved with the Canadian Securities Administrators (CSA). These projects are national initiatives. The Commission's operating expenses were $92,000 below budget for fiscal 2002.

Amortization

The Commission's policy is to capitalize assets purchased in excess of five hundred dollars with an estimated useful life of more than a year. The Commission amortizes its assets using the straight-line method. Amortization increased by 7% as compared to the previous year, due to the acquisition of capital assets. The Commission's amortization expense was $6,000 below budget for fiscal 2001.

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Capital Expenditures & Liabilities

Capital expenditures for the year were $36,000. These expenditures were for office furniture acquired for $21,000 and office equipment for $15,000. Capital expenditures were budgeted and financed by funds provided through operations. These expenditures were made to upgrade the Commission's filing system through shelving units and cabinets.

Accrued liabilities were $47,000 compared to $29,000 in fiscal 2001. At March 31, 2002 the balance represents outstanding refunds, and accrued vendor obligations. Accrued vacation and severance liabilities were $159,000 and $163,000 as at March 31, 2002 compared to $175,000 and $164,000 in the previous fiscal year. The decrease in accrued vacation is a direct result of position vacancies.

Disposition of Surplus Operating Funds

The Commission made quarterly payments to the Province of Manitoba totaling $5.5 million for its share of profit sharing. The payment amount is calculated annually and is included in the Commission's business plan as a disposition of surplus operating funds in the Statement of Retained Earnings.

Liquidity

Liquidity can be defined as an organization's ability to meet financial obligations as they come due. Liquidity management provides the certainty that funds will be available to honour all commitments and involves continuous forecasting and monitoring of expected cash flows. The Commission requires liquidity principally to finance its operations and capital expenditures, its objective is to have sufficient funds available to maintain its operations, without impairment, should revenues decrease below expenses. As at March 31, 2002 the Commission has accumulated $905,000 in its reserve fund, to allow for revenue decreases, to accommodate for any unforeseen changes in cash flows and to cover unforeseen regulatory expenditures which could not reasonably be provided for in the Commission's annual budget. These funds are invested with the Province of Manitoba Treasury Division and allows the Commission the flexibility to access these funds when needed.

Outlook 2002/2003

The Commission will look to generate $2.8 million in net income in fiscal year 2003. This translates into budgeted revenue of $6.1 million and budgeted expenses of $3.3 million, with no anticipated capital expenditures for fiscal 2003. The Commission's revenue is subject to variability that could affect the achievement of budgeted revenues, which are outside of the control of the Commission.

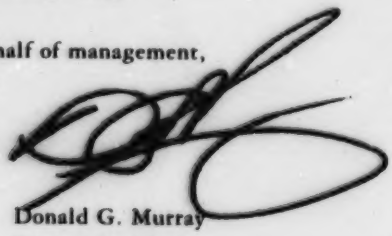
RESPONSIBILITY FOR FINANCIAL REPORTING

The Commission's management is responsible for preparing the financial statements and other financial information in the Annual Report. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgments. The Commission's financial statements have been audited by BDO Dunwoody, independent external auditors.

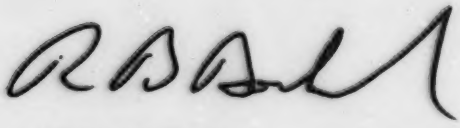
The Commission maintains accounting and internal control systems to provide reasonable assurance that its financial information is reliable and accurate and that its assets are adequately protected.

The Commission's management meets regularly to review the financial statements and accounting practices. The auditors have free and full access to management, if required, to discuss results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

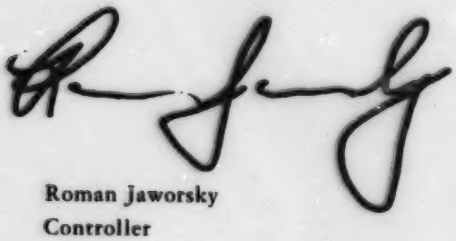
On behalf of management,



Donald G. Murray
Chair and C.E.O.



Robert B. Bouchard
Chief Administrative Officer



Roman Jaworsky
Controller

AUDITORS' REPORT

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of MANITOBA SECURITIES COMMISSION, AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY, PROVINCE OF MANITOBA as at March 31, 2002 and the statements of income, retained earnings, reserve funds and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Winnipeg, Manitoba
May 14, 2002

MANITOBA SECURITIES COMMISSION

Balance Sheet (in thousands) ended March 31, 2002

	2002	2001
ASSETS - Current Assets		
Cash and short-term deposits (Note 1)	$ 3,048	$ 4,065
Accounts receivable (Note 2)	87	26
Prepaid expenses	30	11
	3,165	4,102
Restricted short-term deposits (Note 3)	905	670
Receivable from the Province of Manitoba (Note 4)	269	269
Capital assets (Note 5)	487	632
	$ 4,826	$ 5,673
LIABILITIES AND EQUITY - Current Liabilities		
Accounts payable (Note 6)	$ -	$ 163
Accrued liabilities	47	29
Accrued vacation entitlements (Note 7)	159	175
Accrued salaries and benefits	38	51
	244	418
SEVERANCE PAY LIABILITY (Note 8)	163	164
	407	582
COMMITMENTS (Note 9)		
RESERVE FUND (Note 10)	905	670
RETAINED EARNINGS	3,514	4,421
	4,419	5,091
	$ 4,826	$ 5,673

MANITOBA SECURITIES COMMISSION

Statement of Income (in thousands) ended March 31	2002	2001
REVENUE		
Fees	$ 7,654	$7,401
Interest	164	167
Miscellaneous	7	8
	7,825	7,576
EXPENSES		
Salaries and benefits	1,927	1,908
Operating expenses	889	794
Amortization - capital assets	181	169
	2,997	2,871
NET EARNINGS FOR THE YEAR	$ 4,828	$ 4,705

Statement of Retained Earnings (in thousands) ended March 31, 2002	2002	2001
RETAINED EARNINGS, BEGINNING OF YEAR	$ 4,421	$ 1,551
Net earnings for the year	4,828	4,705
Disposition of surplus operating funds (Note 11)	(5,500)	(1,600)
Allocation to Reserve Fund	(235)	(235)
RETAINED EARNINGS, END OF YEAR	$ 3,514	$ 4,421

Statement of Reserve Funds (in thousands) ended March 31	2002	2001
BALANCE, BEGINNING OF YEAR	$ 670	$ 435
Allocation from retained earnings	235	235
BALANCE, END OF YEAR	$ 905	$ 670

MANITOBA SECURITIES COMMISSION

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MANITOBA SECURITIES COMMISSION

Statement of Cash Flows (in thousands) ended March 31, 2002	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings for the year	$ 4,828	$ 4,705
Adjustment for		
Amortization - capital assets	181	169
	5,009	4,874
Changes in non-cash working capital		
Accounts receivable	(61)	(20)
Prepaid expenses	(19)	10
Accounts payable	(163)	163
Accrued liabilities	18	4
Accrued vacation entitlements	(16)	30
Accrued salaries and benefits	(13)	19
Pension liability	-	(75)
Severance pay liability	(1)	(3)
	(255)	128
	4,754	5,002

CASH FLOWS FROM INVESTING ACTIVITIES (in thousands) ended March 31, 2002	2002	2001
Acquisition of capital assets	(36)	(60)
Transfer to restricted short-term deposits	(235)	(158)
	(271)	(218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(5,500)	(1,600)
Repayment of long-term debt	-	(598)
	(5,500)	(2,198)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,017)	2,586
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,065	1,479
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,048	$ 4,065

MANITOBA SECURITIES COMMISSION

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Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, to enter into a management agreement with respect to the Agency.

A management agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Manitoba Securities Commission in delivering regulated services to clients.

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded on the accrual basis.

1. CASH AND SHORT-TERM DEPOSITS

The Commission invests all surplus cash into short-term deposits with the Province's Treasury Board; these deposits are made up of 30, 60 and 90 day callable term deposits.

2. ACCOUNTS RECEIVABLE	2002	2001
Accrued interest	$ 5	$ 23
Employee computer purchases	1	3
Trade	81	-
	$ 87	$ 26

3. RESTRICTED SHORT-TERM DEPOSITS	2002	2001
Reserve Fund	$ 905	$ 670

The Commission maintains separate short-term deposits with the Province of Manitoba to fund liabilities arising from the Reserve Fund.

4. RECEIVABLE FROM THE PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999. This receivable, or portion thereof for the Commission, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Commission.

5. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 26	$ 5	$ 11	$ 2
Furniture and fixtures	124	36	103	14
Leasehold improvements	113	23	113	12
Computer hardware	117	70	117	46
Computer software	603	362	603	241
	$ 983	$ 496	$ 947	$ 315
Cost less accumulated amortization		$ 487		$ 632

6. EMPLOYEE PENSION BENEFITS

Employees of the Manitoba Securities Commission are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Manitoba Securities Commission transferred to the Province the pension liability for its employees, subject to the following conditions. During the 2002 fiscal year, in accordance with the terms of the agreement, the Manitoba Securities Commission transferred to the Province funds equal to the net assets required to discharge its pension

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obligation as at March 31, 2001. Commencing April 1, 2001, the Manitoba Securities Commission is also required to pay to the Province an amount equal to its employees' current pension contributions.

Hence, as at March 31, 2002, the Manitoba Securities Commission has discharged its pension obligations and has no outstanding liability.

7. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date is offset by a receivable from the Province and was $117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. As at March 31, 2002 there was a decrease to the entitlement in the amount of $16. The accrued vacation entitlement was $159 as of March 31, 2002 (2001 - $175).

8. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The estimate of the liability at that time was based on an actuarial valuation report.

The Province has accepted responsibility for the severance benefits accumulated by the Commission's employees to March 31, 1999. Accordingly, the opening severance pay liability balance as at April 1, 1999 calculated at $152 was completely offset by a receivable from the Province.

The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Commission's actuarial liability has been calculated to be $163 as at March 31, 2002 (2001 - $164).

9. Lease Commitment

The Commission has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2002 are $119.

10. Reserve Fund

The Commission has established a reserve fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenues. The intent is to fund the reserve, through an annual charge to retained earnings, over four years, until the Fund reaches an accumulated balance of $1 million.

11. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

MANITOBA SECURITIES COMMISSION

Schedule of Operating Expenses (in thousands) ended March 31, 2002	2002	%	2001	%
Contract services	$ 271	30	$ 313	40
CSA Initiatives	84	9	2	-
Education / Information initiatives	18	2	20	3
Miscellaneous	23	3	12	2
Office materials and supplies	105	12	107	13
Premises	119	13	120	15
Professional membership and dues	7	1	6	1
Research resources	26	3	32	4
Professional services	87	10	65	8
Staff development	33	4	15	2
Telecommunications	54	6	51	6
Travel	62	7	51	6
	$ 889	100	$ 794	100

Schedule of Public Sector Compensation Disclosure

(in thousands) For the year ended March 31, 2002

EMPLOYEE	TITLE	COMPENSATION
Don Murray	Chairman & CEO	$ 114
Bob Bouchard	CAO & Director of Capital Markets	84
Doug Brown	Director of Legal & Enforcement & Secretary to the Commission	82
Jim Storsley	Registrar - Real Estate	73
Glen Lillies	Compliance Officer	65
Chris Besko	Assistant Legal Counsel	74
Kim Laycock	Assistant Legal Counsel	76
Beverly Berzuk	Executive Assistant to the CEO	57
William Baluk	Auditor/Investigator	51
Jan Banasiak	Investigator	51
Chris Kowalski	Deputy Registrar - Real Estate	51
Marc Boily	Investigator	51

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. (This includes, where applicable severance pay, retirement allowance and vacation pay.)

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